

Plaintiff's Exhibit No. 13, Statement of Samyang's Bong-Hoon Kim

Statement

Name: Bong-Hoon Kim

Position: Head of Sales Division HQ (Executive Director), Samyang Foods Co., Ltd.

I am Samyang Foods Co., Ltd.'s Head of Noodles/Snacks Sales Division HQ.

Since I entered Samyang Foods Co., Ltd. in December 1987, I have worked as the Team Leader for the Sales Strategy Team, Team Leader of Sales Strategy Team 1, Executive in Charge of Marketing (acting executive), and Head of Sales Division HQ, etc. and I have mainly worked in the departments where the price increase information of ramen products are finally gathered and utilized to decide Samyang's ramen prices.

Defendant's Exhibit No. 13

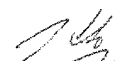
Originally I only submitted a brief written confirmation to you, the committee, on April 23, 2010, which was mainly about "explaining the email content of the former Deputy Senior Manager Kyung-Joo Kim."

However, I would like to help the committee investigate the facts by stating the facts I have personally experienced and know with utmost detail.

I. The characteristics, main contents, and others of the work I have performed

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TRANSLATED EXHIBIT



I worked as a Team Leader for the Sales Strategy Team and the Sales Strategy Team 1 between 1999 and July 2005. Also I worked as the Executive in Charge of Marketing between July 2005 and January 2007, and I have been working as Head of Sales Division HQ since March of 2009.

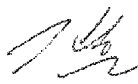
The Team Leader of the Sales Strategy Team is a key position handling both the exchange in advance of information regarding the price increase of ramen noodles and the decisions of when and how much to increase them, etc.

The Executive in Charge of Marketing commands the Sales Strategy Team Leaders and others as his subordinates, and is in charge of exchanging ramen related information with competitors, finding the timing of competitors' price increase and deciding when and how much Samyang's ramen price should be increased.

I am one of the people who know the most about the various issues related to the ramen price increases, including but not limited to, reason behind or necessity of the prior information exchange for price increase, the methods of information exchange, and the content of the information exchanged among ramen companies.

Below, I explain the overall content of how ramen companies have been exchanging information, in particular, how they have cooperated with each other in their businesses in relation to the price increase, and I will also confirm the details of the relevant facts.

II. Materials exchanged among ramen companies, methods of exchange, etc.



a. The type of information/material which the companies mutually exchanged

Ramen companies have exchanged so many different information until now that it is difficult to figure out how many types of information were exchanged and to measure the quantity of information exchanged.

1) In addition to ramen, exchanged information about snacks and bottled water.

Since they are ramen companies, mutual exchange of information regarding noodles is most important and most abundant. However, they also exchanged with each other the information about snacks and the information about bottled water as well (Attachment 1. Please refer to the 2007 work log by Team Leader Sung-Won Lee of Choong-Chung region sales team, Samyang Foods)

2) The exchange of various information and material which were needed in advance for ramen price increase

For ramen, they provided to each other in advance the percentages of ramen price increase, the scheduled dates of the increase, detailed breakdown of the price increases, etc.

These were the most important information for the ramen price increase and I will explain the detailed processes and content below.



3) The prior exchange of old price support period information

Actually the most important information in raising ramen prices is the periods during which the companies support the old prices. Because the price increase of ramen actually begins at the time the old prices are no longer supported, this information was very important in deciding ramen prices (more detailed information is provided later).

4) The prior exchange of information on so-called “strategies” such as special price support policies, etc.

The strategies are typically carried out by suggesting “to give a discount on the supply price by * % of the factory price if the amount of ramen purchase exceeds the originally planned amount by ** %.” In other words, the policy is to give * % discount (D/C) on ramen from the original supply price.

The content of the “strategies” is the information of how much price a competitor company actually charges to its business customers (dealers, etc.), that is, the information about the actual price ramen is supplied at. Thus, it was very sensitive and important information to ramen companies. But even information like this was continuously and thoroughly exchanged in advance among the companies (Attachment 2. Please refer to the “Special Sales Promotion Plans” (strategies) material of Nongshim, January 2005, which is saved in the CD of Samyang’s Marketing Department).

5) The exchange of sales results by product

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Each company's sales results were also very important material and this information has been exchanged continuously every month. Once, Nongshim's employee who was in charge of market research unilaterally announced to stop exchanging the material, arguing that the material Samyang provided was not accurate, and then later he requested to exchange the results again first.

With the sales results, it was possible to confirm the competitor's general market share of ramen products, sales situation, etc., and through the monthly exchange, it was possible to easily know the sales trend or customers' reactions to the competing products.

Especially, because one has already learned about each company's factory price and even strategies (discounted sales price), it was easily possible to analyze the amount of money the competitor invested in (e.g.: total cost invested in for price discount) versus the effect (changes in sales results).

6) The exchange of various information

In addition to the varied information above, the companies closely exchanged almost every kind of business information including various events and customer policies, management policies of market research teams, information about the changes to the organizations, all information related to the release of a new product, etc.

To look at it more specifically, before releasing a new product, ramen companies provided competitors (in the industry, the term "companies in the same industry" has been commonly used)



(Attachment 3. Written by Team Leader Young-Min Chun of Sales Team 5, please refer to the Article 2 in “Work Directive Items (December 17, 2004)”) with detailed information such as the price and the main consumer groups (target customers) of the new product. And they even shared the design of new products together (Attachment 4. Please refer to the report regarding Nongshim stated in “The Report on Competitors’ Main Trend in the 3rd week of December, 2007”).

Not only when an executive officer or an organization of each ramen company changed, but also when there were any changes to the operation methods of business organizations, information about those changes were also provided and requested to each other before and after the changes (Attachment 5. Please refer to the November 8th record regarding Nongshim in “The Report on Competitors’ Main Trends in the 4th week of October and the 1st and 2nd weeks of November 2007” stating “The reorganization accompanied by personnel appointments planned in November which was scheduled to be completed is postponed due to the internal situation → it will be completed by December 1, 2007 at the earliest with the personnel appointment). (Attachment 6. Refer to the record of December 3 in “The Report on Competitors’ Main Trends in the 1st week of December 2007” regarding Nongshim’s reorganization, main content of Nongshim’s entire reorganization, and Nongshim’s reorganization chart, business organization and marketing headquarters reorganization details.)

Even information such as each company’s publicity methods, media operating plans for PR and the costs, and details about celebrities for advertisement purposes were provided and requested beforehand and afterwards. (Attachment 7. Please refer to the content of “Nongshim’s new advertisement of Neoguri ramen.”).



Each company's reimbursement amount on gas bill per sales associate (Attachment 8. Refer to "Monthly 100,000 Won of gas bill is given to a market research employee per sales branch office" in the work log of Kyung-Joo Kim, the employee in charge of market research in 2004. For your reference, Nongshim's Manager Yeo-Won Yoon wrote this on Samyang's Deputy Senior Manager Kyung-Joo Kim's work log when they met together.)

In addition, each company shared the New Year's statement with each other (Attachment 9. Please refer to both "3. New Year's Statement Main Points" and "Attachment: Nongshim's and Korea Yakult's New Year's Statements, Part 1" in "The Report on Competitors' Main Trends in New Year").

7) Sub Conclusion

In sum, the four companies mutually exchanged almost every information in advance or afterwards at all times.

Therefore, the exchanged information regarding ramen price increase was in fact only a part of various information and material exchanged innumeraably.

b. The Methods of Mutual Information Exchange (the routes)

The methods which ramen companies have exchanged/provided information are as diverse as the information exchanged and have been carried out **through many different routes (methods).**



Various methods not only contain market research employees' consultations ("Noodle Company Meeting") but also include General Meetings of the Ramen Conference, the Assistant Administrator Meetings of the Ramen Conference, information exchanges between branch employees, and even Presidents' Meetings.

Below, I mainly explain the routes (channels) by which information regarding price increase has been exchanged in advance.

1) Presidents' Meetings

The meeting of ramen noodle companies' representatives, so-called Presidents' Meeting, provided an opportunity for CEOs of ramen companies to gather together to form a consensus about actualizing ramen prices and to mutually confirm the necessities of ramen price increase.

A prime example is the meeting among CEOs of ramen companies in late 2000. This meeting was held almost 3 years after they raised the price early in 1998 and haven't done so since then.

A consensus on price increase was formed in the meeting among CEOs of ramen companies and the price increase occurred in 2001. Since then, ramen price has been increased almost every year. For the last ten years until my company lowered the price in early 2010 for the first time since the founding of the company, the four ramen noodle companies have been increasing ramen prices while maintaining their main products at almost identical prices.

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2) Consultation on the Price Increase at the High-Rank Executives' Meeting at the Ramen Conference

The officially recorded items which are to be discussed at the Ramen Conference do not include the consultation on ramen price increase.

However, when the General Meeting of the Ramen Conference is held, because the executives attending the meeting were the core price decision makers of each company, it was possible to share each other's business interests and to consult cooperation.

During this process, the mutual consultation on prices had broadly taken place, including each company's ramen price increase rate, increase timing, joint counterplans to deal against the resistance by customers and the government regarding the ramen price increase.

Sensitive issues like these were discussed via unofficial meetings 20~30 minutes before the opening of the Conference, and it was enough time to grasp each company's position and to share each other's stance.

Especially, as long as consent was reached on the main products of each company, other products were easily adjusted into any plan and it was possible to increase the price smoothly without much trouble.

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Sometimes, although it was not recorded in the meeting minutes, this was discussed during the official meeting as a miscellaneous topic.

3) The consultation on the price increase at the Assistant Administrators' Meeting of the Ramen Conference

The Assistant Administrators' Meeting of the Ramen Conference was also an important venue to share prior information about each company's ramen price increase and to confirm each company's stance.

Since the main participants of the Assistant Administrators' Meetings were the team leaders who actually manage business operations, they provided and exchanged more detailed and necessary information for price increase.

Of course, the official discussion topics and meeting minutes only show typical and mundane topics such as discussion of how to divide the Ramen Conference's costs, preparation of the Ramen Conference's General Meetings, and the Ramen Conference related training plans. However, by using the unofficial meetings before and after the Conference and the mealtime after the Assistant Administrators' Meeting, etc., they also mutually exchanged information on each other's businesses or price increase dates, etc.

4) Mutual exchange of information among each company's employees handling market research

Each company's employees handling market research played the role as the route (channel) of exchanging the most accurate and comprehensive price increase information in advance.



Not only did they exchange in advance each company's confirmed material regarding the ramen price increase timing and the price increase margin, but also they mutually exchanged information even before it was confirmed. This reflects the characteristics of the ramen market that products are similar and the methods of production as well as sales are also similar, if only a few core topics are shared in advance, one could use that information to determine his/her own company's price increase timing or increase amount, etc.

5) The operation of the Noodle Company Meetings

As unofficial meetings among market researchers of ramen noodle companies were held as often as once a month, they got to form very close relationships that even highly sensitive information could have been provided to one another at a simple phone call request.

Therefore, it was possible to share in advance every kind of sensitive material (e.g.: competitors' price increase dates, the old price support period, the increase amount, etc.) before each ramen noodle company finish the decision internally.

6) Mutual exchange of information among each company's branch office employees

There are many opportunities for ramen companies' employees to naturally form close relationships. Because there are only four ramen companies, employees of different companies often form various unofficial meetings by region. In addition, after having formed a close relationship in one region, they maintain the relationship after they move to work in different regions.



In particular, employees can meet competitor companies' employees at dealer stores or discount stores at any time. Therefore, they took it for granted that they provide all kinds of information to and cooperate with one another.

At headquarter level, each company (head office) has **institutionalized each branch's periodic report on "the trend of companies in the same industry"**. Trend report information was sometimes acquired from dealers or specialty contract dealers but the information obtained through discussions with the competitors' employees was more useful. Especially, the largest section of the trend report that branch stores used to report to the head office was spared for "the company's trend" and "the competitors' trend."

Among the diverse information, the core information such as the ramen price increase dates, increase amount or old price support, was reported to the head office immediately and the head office collected and compiled information gathered via different channels (According to Attachment 3, it was encouraged "to report frequently").

For example, because one of Samyang's branch employees was close to Nongshim's market research employee, he was able to confirm the related price increase information through Nongshim's market research employee and report it to the head office even before Samyang internally finished the procedures of the official price increase evaluation.



(Attachment 10. From January 2008, Samyang Food's Branch Manager Dong-Hee Kang had phone conversations with Yeo-Won Yoon, Nongshim's manager in charge of market research, regarding Nongshim's price increase in February 2008. Please refer to the statement that Branch Manager Kang also had multiple phone calls on February 11, 2008 to check the details of the price increase and rapidly reported it to his superior office. Submitted together, please refer to his statement).

7) Information collection through complex dealers or specialty contract dealers

To grasp the general market trend, it is useful to conduct market research through specialty contract dealers or dealers, and especially through complex dealers. It is because we can hear rumors in the marketplace.

The information gathered from the specialty contract dealers or dealers, the so-called marketplace, is not directly helpful because the information is more or less a guess like that "a price increase may happen soon," without accuracy or detail.

However, after hearing this kind of rumor, the head office's market research team immediately starts to check the facts from and cooperates with the competitors' market research team for more detailed information. In addition, each branch office also gets informed with the related situation and begins the cooperation with competitor company's employees to exchange information such as price increase dates or the increase amount.

Sometimes, the details of the core information about the competitor's ramen price increase dates or the increase amount are reported to the head office after the same information has already been notified and then collected at the specialty contract dealers.



However, considering ramen industry's distribution structure and the notification procedure or timing of price increase to the lower level organizations, the information does not hold much value because the information arrives too late, compared to the information exchanged between head offices or between branch stores.

That is, in most cases, ramen noodle companies do not deliver the price increase details to the specialty contract dealers directly, but disseminates them through the company's branches or sales offices (**the employees of branches or sales offices are the ramen company's own employees** but the employees of specialty contract dealers or dealers are not). Therefore, the information gathered from the specialty contract dealers or dealers is less up-to-date than the information gathered from the branches or head offices.

I know that this tendency is similar in Nongshim (Attachment 11. Please refer to the facts confirmed in the interviews with Nongshim's specialty contract dealer owners. Please reference "Yong-Mok Kim's Statement" and "Sang-Min Lee's Statement." According to the confirmed facts, Nongshim also notifies its specialty contract dealer owners of the increase through Nongshim's branch employees after the announcement or about one day before the announcement. Therefore, the information gets later than the information exchanged between head offices or between branches.)

Thus, Samyang as well as the other ramen companies' employees mainly gather competitors' price increase information through the competitor company's employees whom they know well.



In other words, ramen noodle companies learn about the competitor's prices prior to the internal Request for Approval process, not through the "market", but through the employees of the competitor's head office (or the branch office under the head office). Therefore, although ramen company employees may gather a general sense of the market through complex dealers or specialty contract dealers, exchanges of the more specific price information in advance occurs between ramen noodle company employees (including branch employees) through mutual cooperation.

8) Information Exchange Customs and Awareness among Ramen Companies' Executives and Employees up to the Present.

When one reviews the material and the content of information which have been exchanged between the ramen companies' executives and employees, it is difficult to consider that they were aware of the possibility whether or not their activities breached the Fair Trade Act. Especially, most of them have stayed in the same industry together for over ten years and shared almost every information with one another doing their work. Thus, it is true that they did not have much awareness of the legal implication or view of prior exchange of price increase information.

Thanks to the operation run through mutual cooperation under the system as such, all ramen companies, through mutual and prior consultations, continuously and repeatedly decided the ramen price increase dates, the increase amounts or old price support periods based on the information gathered in advance regarding competitor's price increase dates, prices, etc.

9) Sub conclusion



Through various channels shown above, the ramen noodle companies were not only able to form a consensus in advance on the timing of ramen price increase, increase amount, old price support, or various special sales policies, but also to share the detailed plans each company set up.

III. The Method of Exchanging Ramen Price Increase related Information in Advance (process)

We cannot standardize the method or process of sharing ramen price increase. However, the most cases followed the below process.

When the price of raw resources such as flour increases or the necessity to increase the price of ramen products arises, ramen companies closely monitor each other's reactions.

Through the various channels I mentioned above, they sometimes officially or unofficially confirm with one another, their positions regarding the necessity to increase the ramen prices or the general estimation as to the increase amount.

However, without the above process, each company often hears the market's rumors about competitors' price increases through the employees of market research teams or external affairs business teams and catches related signs through various routes.



If such sign is detected, almost everyone in the channel I explained above performs their part of work and contacts a competitor's employee (counterpart) to get information in advance regarding the estimated date of other ramen companies' price increase or the price increase amount. Or, each company's branch employees contact competitor's employees and exchange and obtain the related information.

Once conclusive information is obtained, through each company's reporting system, the department handling price decision making finally gathers the related information and it is reported to the department's head, executive members and finally to the final approving authority. Obviously, such information enormously affects the price decision process of each company.

In other words, each ramen company provides and obtains in advance the competitors' price increase related information such as the estimated price increase date, price increase amount, or old price support periods.

Before 2000, there were in fact many occasions that Samyang and Nongshim competed against each other for market domination of utilization of the price increase amount or price increase timing. However, after 2001, without an exception, Nongshim first decided prices and carried out the old price support periods thereafter. And right after that, Samyang increased the prices by the same amount as Nongshim's. This process was followed by Ottogi and Yakult who also increased their ramen prices by the same amount by the same method (process).



IV. Detailed explanation about ramen price increase

The details of the ramen price increase below are my explanation on the circumstances surrounding the price increases that occurred in the years I was in charge of price increase determination. However, the price increases in other years had occurred in a similar way.

a. The details of ramen price increase in 2001

At that time, due to the increase in price of raw and subsidiary materials, the need to increase ramen prices was being raised since the beginning of the year. Around April 2001, I ordered Deputy Senior Manager Kyung-Joo Kim, who was conducting market research, to find out about the ramen price increase plans of our competitors (Nongshim, Ottogi, and Korea Yakult). Especially, I requested him to promptly obtain Nongshim's price increase timing and increase amount information.

Around early May in 2001, Deputy Senior Manager Kyung-Joo Kim, who had been conducting market research based on my order, obtained and reported to me the information of Nongshim's price increase. And around May 14th, 2001, he reported the detailed information (the price increase details by product, increase amount, increase dates and the support plans before and after the increase) of Nongshim's ramen products.

The reason I remember the above timing is because I ordered an inventory check of existing raw and subsidiary materials in preparation for our company's price increase based on Nongshim's above price increase plan and the task was completed on May 17, 2001



(Attachment 12. Please refer to “the quantity of raw and subsidiary materials for the price increase products (as of May 17, 2001)”).

For your information, Samyang increased prices when Nongshim increased its prices, and the prerequisite was to confirm the inventory of existing raw and subsidiary materials (e.g. materials that are difficult to use after the price increase, such as the packaging material on which the previous ramen prices are printed). The time was before our company adopted ERP (Enterprise Resources Planning) (it was adopted in July 2006) and it took at least 1-2 days to figure out the exact amount of stock in the production plants. Also, such an order to check the inventory status was generally given after the detailed data of Nongshim’s price increase had been acquired.

In accordance with the previously shared information, Nongshim increased prices on May 21 (Monday) and Samyang increased prices about 10 days later on June 1, 2001.

b. The details of the ramen price increase in 2002

In the beginning of the second half of 2002, about one year after the ramen price increase in June 2001, the prices of some raw materials such as palm oil and flour increased and the need to raise prices emerged.



Around early October in the same year, I ordered Deputy Senior Manager Kyung-Joo Kim, who is in charge of market research and who had been regularly interacting with the competitors, to find out if there were any moves relating to price increase made by the noodle companies.

Deputy Senior Manager Kyung-Joo Kim tried to obtain competitors' - especially Nongshim's - price increase information in advance and reported me Nongshim's ramen price increase plan (to increase price by October 25) after receiving it by fax around October 21, 2002. He also included Nongshim's price increase details by competing product in our company's ramen price increase plan that another employee had been preparing and reported the document to me. Upon receiving this, I also immediately reported it to Director Soo-Chang Ahn.

Samyang Foods Co., Ltd.'s official internal planning document (a Request for Approval) for ramen price increase was first created on October 23 (Wednesday), 2002 by Assistant Manager Jung-Hyun Hwang who was in charge of noodle products. Then, it was approved by the final approving authority on October 25 (Friday) and the price increase began on November 1 (Friday), when the last production of old-priced products to use up the remaining subsidiary materials was completed.

At that time, our price increase was based on the material received from Nongshim and the increased prices were same as Nongshim's. **(Attachment 13. Please refer to the record of "dates made" in the internal planning document of price increase in 2002).**



c. The details of the ramen price increase in late 2003 and early 2004 and others.

1) The details of ramen noodle companies' ramen price increase in late 2003 and early 2004.

Under the pressure of production costs because of the increase in price of raw materials, such as palm oil and potato starch, and the price increase of agricultural and fishery products due to Korea's climate instability in early 2003, I ordered Deputy Senior Manager Kyung-Joo Kim in charge of market research at that time around December 2003 to research competitors' price increase details.

Around mid-December 2003, Deputy Senior Manager Kyung-Joo Kim reported me Nongshim's price increase date and increase details per product which he received from the competitor company's employees in charge of external business affairs by fax. And as soon as I received the report, I submitted it to Director Soo-Chang Ahn, the person who was in my reporting line and finalized approvals.

Nongshim increased the prices on December 22, 2003.

It is actually true that, through branch offices, the head office already knew Nongshim's price increase date and increase amount of its core products before receiving the fax (Attachment 14. the existing document "the subsidiary material details of the products for price increase (as of December 17, 2003)" indicates that my company had already obtained Nongshim's price increase (plans) at that time and had been preparing its own price increase).



However, Samyang's internal and official draft of the price increase plan was created on February 7, 2004. This was because lunar New Year's holiday was around late January that year and if we increased the price around the time, customer resistance could be strong. Also, considering that agency stores do not have enough funds around the time of the year, we carried out our price increase a little later than usual.

The internal evaluation of the price increase plan was done on February 7 (**Attachment 15. Please refer to the internal draft document material**), but the increase date was decided to be February 21 and the increased ramen prices were to be same as Nongshim's based on the details we received from Nongshim.

2) Research of the fresh noodle market information, cooperation with competitors in advance on new product information, and others.

Before the end of year ceremony on December 30 (Tuesday), 2003, I presided a Sales Strategy Team 1 meeting. The main topic we discussed under the direction of the Head of Sales Division HQ, Executive Vice President (the position at that time) Jung-Soo Kim was whether or not to enter the fresh noodle market and I ordered Deputy Senior Manager Kyung-Joo Kim to collect information of whether or not Nongshim would enter the fresh noodle market (**Attachment 16. Please refer to the December 30, 2003's meeting log in which Deputy Senior Manager Kyung-Joo Kim recorded on his work log**).

Around early January 2004, Deputy Senior Manager Kyung-Joo Kim reported me the information he received from Soon-Ho Hwang, Nongshim's external affairs hands-on person, including Nongshim's fresh noodle production plans, facilities capacity, production schedules, etc.



He also reported that Ottogi was going to enter the market using OEM production. I immediately reported these to the Head of Sales Division HQ on the same day.

Around January 20, 2004, I received a report from Deputy Senior Manager Kyung-Joo Kim about 'P-Generation Ramen', the new product which Ottogi was planning to release. At that time, Ottogi was planning to release it early February and Kim reported me that he heard this news while meeting Ottogi's external affairs employee Jae-Seok Hong. On the same day, I also received a report that the remaining inventory of Bibim Men (Mixed Noodles) will be disposed and the newly price increased products will be shipped out starting early February which Kim received from Korea Yakult's external affairs employee over the phone (**Attachment 17. Please refer to Deputy Senior Manager Kyung-Joo Kim's work log recorded on January 18, 2004**).

In general, noodle companies' employees handling external business affairs had been providing new product information to each other before the release. By doing so, they were helping each other to receive good work performance assessment within one's company. One of the principles of this mutual help was to share in detail very sensitive and confidential information such as price increase information.

When Assistant Manager Sung-Ok Jeon, the successor of Manager Jung-Hyun Hwang, drafted and submitted the noodle price increase proposal document on February 7 (Saturday), 2004, it was approved on the same day by the final approving authority (**Attachment 15. Please refer to both the dates February 7 which appears as the date the Chairman approved and another date February 7, 2004 which appears in the proposal document titled "Noodle price increase," drafted by Sung-Ok Jeon**).



Like this, the reason the start date of making a proposal could be same as the date of final authority's approval is because people in the line of approval had already reviewed the price increase plan internally and thoroughly even before the official proposal was created. This kind of drafting and approval process was a norm for almost all ramen price increase plans.

That is, having the information such as competitors' price increase timing, increase rate, and old price support period already provided, Samyang could internally review the price increase scheme over several times before the official plan came into being and not much time was needed for the final approval when the plan was created and submitted for review.

Based on the above proposal, an official announcement document for the related departments in the company was written on February 12, 2004 (Thursday) and its approval was completed on February 17 (Tuesday) (**Attachment 18. Please refer to the content of the proposal on February 12, 2004).**

After that, on February 18, the increase date and details were announced to related departments by fax or by email and the price increase became effective on February 21 (Saturday), 2004.

d. The details of the ramen price increase in 2005



The late 2004 was the time that production cost has continued to increase because of the additional increase of raw and subsidiary material costs.

In the meantime, on around December 20, 2004, Deputy Senior Manager Kyung-Joo Kim who was handling market research reported to me a document detailing Nongshim's price increase which he received from Nongshim's external affairs employee. I immediately reported it to Director Soo-Chang Ahn.

On December 23 (Thursday), 2004, mass media reported Nongshim's price increase and on December 24, Nongshim executed the ramen price increase as the above price increase details.

Around the time, my company's price increase proposal had already been completed based on Nongshim's overall price increase standard, price increase details, etc., but we did not increase the price and observed the situation, unlike the previous occasions (Samyang increased prices a few days after Nongshim's price increase date).

It was because we concluded that increasing prices twice within one year was a bit forced and problematic due to the increase of financial burden on customers after my company's price increase on February 21 (Saturday), 2004. We also considered that the demand for Samyang ramen would grow and our ramen sales, although for a short-term, would stably increase if because Nongshim first increases the price and Samyang has not yet increased it (Attachment 19. Please refer to the analysis of the sales result increase trend in January and February, 2005).



However, as Samyang's price increase was delayed, Nongshim's external business affairs employees as well as the employees of each branch and dealers frequently complained and inquired whether or not my company would increase the price.

In particular, unlike other years, Nongshim responded with great agitation to my company's delay on price increase by extending the old price support period once, twice, three times, and so on. Due to this situation, our actual profit which motivated our delay on price increase was decreased and my company increased its ramen prices to be identical to Nongshim's price increase based on the price details provided by Nongshim.

Provided that, this time too, Assistant Manager Sung-Ok Jeon processed my company's ramen price increase proposal on February 23 (Wednesday), 2005 and received the final decision maker's approval on the 24th (Thursday), the next day (**Attachment 20. Please refer to the official proposal document on February 23, 2005**).

Meanwhile, the official announcement document to notify the related departments of the company (stating the increase date as March 1(Tue), 2005) was drafted on February 24, but the actual approval was done on February 28 (Mon) and it was notified shortly thereafter (**Attachment 21. Please refer to the official document**).

V. Samyang's internal request for approval date of ramen price increase plan and the timing received ramen price increase information from competitors like Nongshim



Through the process described in section III above, my company could obtain the price increase date or increase amount from competitor companies' employees before these companies officially announced the information to public.

In other words, for about 10 years of the time ramen companies have increased ramen prices, they have mutually consulted and confirmed related information regarding ramen price increase via each company's market research employees before its official announcement, and thereafter, they increased prices.

Of course, because the process to increase ramen prices takes a long time and sometimes it causes fictitious demand, that is, it functions to increase sales, in some cases we leaked rumors in advance about a price increase to specialty contract dealers. But for detailed price increase information, without an exception, head offices organically confirmed and provided information to each other in advance before each company officially announced the ramen price increase details.

Only that, in Samyang's case, whenever there was a sign that Nongshim was going to increase ramen prices, we roughly completed internal analysis of 2~3 types of price increase pattern even before Nongshim officially provided us the accurate price increase date and increase amount.



Sometimes, such internal analysis began several weeks before at the earliest. In many cases, during the internal analysis, branch employees roughly grasp the price increase timing or the increase rate of main products by consulting with Nongshim's market research employees or branch employees and report the details to the head office.

Then, our price decision making department specifies the above price increase patterns based on the reported information and continues the internal analysis of sales/revenue or profit changes upon a price increase similar to the level of Nongshim.

Again, Samyang Foods Co., Ltd., already has a good grip of competitors' estimated price increase dates, increase amounts, etc., before it begins the internal review of the final proposal for ramen price increase. But it brings up the official request for approval after it obtains the final confirmation document from the competitor companies' market research employees (The rule is that the final confirmation document be provided before the official announcement or notification to branches).

In other words, Samyang's official document of price increase proposal is drafted and approved after receiving the official price increase details from Nongshim. However, even before that, key information of the price increase details and the date has been already acquired from Nongshim.

This process is not unique in Samyang and other ramen companies also do the same.



Through Samyang ramen's market research employees or employees who work in the line of price decision making, the core information about Samyang ramen price increase amount or date is already provided to its competitors before Samyang's official and internal evaluation of price increase, and the other companies also determine their price increase amount or date based on the information received from Samyang.

It means that until now, whenever ramen manufacturers are about to increase ramen prices, they frequently interacted, met, and contacted each other for a while and continuously and gradually exchanged in advance the price increase dates or old price support information.

That is, when a leading company makes a plan to increase prices and such plan becomes known to the other companies in some way, all other competitors get to pay attention and contact the leading company for more information. In the beginning process, only general information (e.g.: mid-February or mid-March) is exchanged and later the actual date is gradually narrowed down through continuous phone communication, unofficial meetings, unofficial confirmations, and others.

Meanwhile, the leading company also learns about the competitors' plan or estimated increase date and gets to figure out when the competitors would increase the prices once it increases the price at a specific date.

Therefore, the method of increasing price in ramen market was not done all at once or at the same time. Rather, it took place over a long period of time while confirming each other's positions, confirming each other's price increase date, old price support period, etc., reporting such content to superiors, and then finally increasing their prices accordingly.

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In particular, the actual timing of the price increase was implemented gradually with small time gaps. But around the time the leading company's price increase was about to be discussed, it was mostly that the following companies' increase dates were already set in advance and mutually provided (Forty days before Yakult's actual price increase, its increase date or price were provided to my company. Attachment 22. Refer to Team Leader Jin-Woo Suh's work log).

**VI. The internal circumstances why ramen price increase had to be done together:
characteristics of distribution channels**

When a ramen company increases ramen price, it needs to consider the distributors' situation or request and the price increase does not take effect right away. Instead, there is a transition period called the old price support period, during which ramen products are supplied at the old price.

There is slight difference in terms of the periods and conditions of old price support between distribution channels, and ramen companies also respond differently to various distribution channels.

**a. The dynamics with large-scale discount stores / SSM (Super Supermarket), the
distribution stores with strong negotiation power**

Distribution stores such as large-scale discount stores and SSM (Super Supermarket) usually agree to the price increase with the condition that Nongshim provides ramen at the previous price for about 2~3 weeks from the day of price increase. The condition with a so-called old price support.



However, if Samyang did not promptly increase its price to the same price until near the end of Nongshim's old price support period, large-scale discount stores and distribution stores like SSM sometimes internally delay Nongshim ramen's price increase date or put a hold on their new price agreement with Nongshim.

The reason is that, if the distribution stores start to sell only Nongshim's ramen with increased price, they would face strong consumer resistance against the new price.

For example, customers would argue, "Why did this distribution store raise Nongshim's ramen prices only and sell them at more expensive prices?" or "Why do you sell Nongshim's products at a highly increased price when the other ramen companies did not do so yet?".

Therefore, if the other ramen companies (mainly Samyang) do not increase the ramen prices until Nongshim's old price support period ends, the large-scale distribution stores would not agree to the Nongshim's price increase plan itself and try to keep the old prices.

In particular, large-scale distribution stores with strong negotiation power sometimes would not honor the increased price and request to sell products with a discount from the increased price at Nongshim's expense (at Nongshim's own cost) even after Nongshim's old price support period ends.



This happens when customers become upset by the increase in price of Nongshim's ramen.

For such reason, although Nongshim's market share is overwhelmingly high, its price increase is tremendously affected by the price increase dates of Samyang, Ottogi, and Paldo and thus the company always reacted sensitively to information of the price increase dates and old price support period of Samyang, Ottogi and Paldo, and sought to obtain the related information as quickly as possible.

Although Nongshim has the largest market share in the market, if the other companies would not follow suit and increase their prices, it would need to offer additional supporting measures like the old price support and the price increase would not generate profit.

After all, because the ramen companies Nongshim, Samyang, Ottogi, and Yakult all knew the above points very well, they reacted sensitively to each company's ramen price increase dates or amount and old price support period, and sought to obtain in advance the information.

b. The relationships with “marketplace” channels such as traditional markets, wholesale markets, middle merchants, or specialty contract dealers (dealers)

Sales conducted through wholesale stores and middlemen in Yeongdeungpo market or Cheongryangri market and specialty contract dealers (also referred to as dealers) which mainly sell to retail stores are called the “marketplace.”



For marketplace, we provide the old price support period for generally two weeks to one month before the price increase.

Also in the case of the “marketplace,” if Nongshim increases the price first but competitors, especially Samyang, delay the price increase, then the preference for Samyang’s ramen products that have not increased prices rises at specialty contract dealers and retail stores. As this would affect the sales of Nongshim products, Nongshim tends to extend the old price support period to prevent it.

If Samyang does not increase its price right after, Nongshim would not receive any benefits of the price increase. Thus, Samyang’s date of price increase in addition to its old price support period becomes very important information.

Although Nongshim in fact has been leading price increase since 2001, it has been always conscious of the competitors’ situations, especially Samyang’s. The most efficient way to understand the situations has always been to provide in advance its own price increase dates and details to its competitors and receive in advance the competitors’ material of estimated price increase dates, detailed information, and the old price support periods.

Especially as to the company leading price increase, if the period in which the company has raised its price alone lasts longer than expected, the company’s image would be easily tarnished



(e.g., “Nongshim is a company which easily increases the price as long as there is any trivial reason for increase at all.”) Also, due to the customers’ resistance and poor sales, it always has to be concerned about competitors’ price increase dates.

c. Military supplies and school meals providers’ response to ramen price increase

Large amount of ramen is sold as military supply and group meals. In general the industry calls this as the sales to “special customers” **(For my company, the combined sales amount of military supply and others out of total sales amount took 12.6% in 2006, 11.5% in 2007, 8.6% in 2008, 8% in 2009, and 8.4% in 2010. Please refer to Attachment 23 to see the sales details per types).**

“Special customers” mostly purchase the products through a public bid. Thus, if the price leading company increases its products’ prices first and the other companies do not increase the prices, the price leading company would lose competitiveness in the bid and it immediately results in difficulties in the supply of the products.

In other words, because these special customers enter into a yearly contract in general, if competitors do not increase the prices, it is quite common that the special customers would not agree to the increased price of the supply products when requested by the leading company, citing that other ramen companies have not increased their prices.



For these reasons, even the dominant market share holder Nongshim thinks that its competitors', especially Samyang's, price increase dates and amount are very important and responds seriously to the related information.

d. A case which Nongshim exceptionally extended and re-extended the old price support period when Samyang's price increase date was delayed unexpectedly (in early 2005)

Although Nongshim has overwhelmingly high market share compared to that of other competitors, when the price increase by competitors, especially by Samyang, was unexpectedly delayed, Nongshim extended and re-extended the period of the old price support for marketplaces such as retail stores until the competitor companies carried out the price increase.

In December 24, 2004, when Nongshim increased ramen price, it initially determined the last day of the old price support to be January 13, 2005 (**Attachment 24. Please refer to the "Weekly Report," written by Samyang's Seongnam branch on January 7, 2005).**

In the beginning, Nongshim carried out the old price support policy under the above condition. But when Samyang, unlike the way it increased prices in previous years, delayed the price increase by about one month, Nongshim unprecedentedly extended the old price support period.

Initially Nongshim planned to carry out the old price support until January 13, 2005, but it extended the period to the end of January.



(Attachment 24. Please see Samyang's Weekly Report of early January, 2005) and then it re-extended the support period until February 2005 (Attachment 25. Please refer to the market trends of "Same Industry Companies" in "Weekly Report," written by Samyang's Suwon branch on February 22, 2005). In addition, it again re-extended the period until March 2005 (Attachment 26. Please refer to the "Same Industry Companies' Trends" in the report by Gwangju branch, Samyang Food, in March 2005).

Meanwhile, Nongshim's extension and re-extension of the old price support periods as above put Samyang in the situation that it could not delay ramen price increase any longer, and in fact, Samyang also increased the ramen prices by the same amount as Nongshim's on March 1, 2005.

e. The need to exchange information like old price support period or support conditions in advance

If other companies do not increase their prices in a serial order at regular intervals after Nongshim increases its price, even Nongshim with absolutely high market share would fall in a very difficult situation resulting from the poor sales, decreased profits, tarnished company image by customers, and support request by specialty contract dealers.

To avoid a situation like this, Nongshim was always highly susceptible to various matters including competitor companies' price increase timing, old price support condition and period, and special sales policies following the price increase.



Also, it provided almost every information regarding not only the price increase details but also the old price support information, special sales policies or sales results to its competitors Samyang, Ottogi, and Paldo, much earlier than the date of price increase, and it received the same information from the competitors in advance as well.

VII. The impact of the old price support policy on ramen noodle companies' concerted price increase

One of the most important features of the ramen market is that, after ramen price increase, products are provided to distributors at the previous price for a certain period.

This policy had been carried out by every ramen company without an exception. It was called "old price support" and ramen companies of course mutually acquired and shared competitors' old price support details in advance.

That is, despite the price increase announcement, the period supplying ramen noodles at the previous prices and the conditions for such old price support were very sensitive information, and ramen companies shared such information with one another.

Nominally, the old price support is conducted to promote sales of product inventory, to provide an opportunity for the sales stores to gain additional profits, and to prevent client groups from leaving the product. However, in reality, it functioned for the company which led the price increase to keep its competitors in check, while waiting to see whether the price increases are carried out according to the information shared and inducing the competitors to increase their prices.



I will provide an example of what really happened in January and February, 2005. Right before the period on December 24, 2004, Nongshim first increased the price. Nongshim's old price support period was going to end on January 13 originally (**Please see the material in Attachment 24**). However, when Samyang delayed its price increase for a while unlike previous years, many things happened.

First, Nongshim, through several channels, constantly requested Samyang to answer its questions why it was not increasing the price or when the price would be increased and constantly complained to my company through various channels.

Although Nongshim initially announced that the old price support period of its products was going to end on January 13, it extended the period to the end of January, and then re-extended it to the end of February, and then again, it re-extended the period to the end of March (**Please see Attachments 24, 25, and 26**)

Nongshim's such policy extending its old price support period played a role to press my company to increase the prices quickly.

In other words, in the circumstance that Nongshim was delaying its actual price increase through the extension of the old price support period, Samyang had no reason to sell ramen at low price. Rather, it would be more effective for my company to increase the price as well and to support the old prices (discount sales), if necessary.



As explained above, the old price support policy functioned as an instrument for the company initiating the price increase to push the other companies to increase their prices. This was the reason why the employees in the ramen products' price decision making line acquired competitors' old price support periods in advance and included it when they report me the competitors' trends or the price information exchanged.

If Nongshim really had an independent reason to increase its price and thus increased the price by its own independent judgment, that is, if it determined that the price increase was inevitable even if that meant to accept the decrease of its market share, it would not have to extend, re-extend, and re-re-extend the old price support period once it increased the price.

After all, thanks to the mutual sharing of the old price support policies and the details in advance, the four ramen companies could minimize market shocks, rapid change of market share rate, or sales competition after ramen price increase and could increase the price in a stable manner.

This action pattern of sharing the information of the old price support policies in advance worked as an excellent cooperation system for ramen price increase. In particular, when Nongshim increased its price, this policy functioned to make all the other companies, only with a short interval, increase their prices by the same amount increased by Nongshim.



After all the characteristic of the ramen market was that, although the leading company increased the price, if other companies did not increase the price together, the leading company could not actually implement its increased price effectively.

Although Nongshim had overwhelming market share, Samyang and other competitors' cooperation was necessary to increase the price swiftly while maintaining its market share.

In other words, because Nongshim's sales revenue may increase rapidly in a short term if Samyang and the other competitors increase their prices swiftly in tandem with Nongshim's price increase timing and old price support period as Nongshim suggested and informed, ramen companies' joint and serial price increase was directly linked to Nongshim's profits.

In addition, it was also beneficial to other ramen companies' profit making.

In particular, as to ramen companies, the most effective way to react to many different distributors' resistance against the price increase was to increase their prices serially with no exception. Therefore, in order to build a consensus among competitors and cooperate in advance for a joint and prompt price increase, Nongshim provided in advance price increase information such as old price support plan to the competitors and requested the same from them.



In addition, in spite of this information sharing in advance, if the competitors delay the price increase, the extension of old price support period pushed the competitors and prevented them from gaining actual profits. This tactic has become a custom (please refer to the above price increase case in early 2005).

Meanwhile, for the market's 2nd player Samyang Food, it was actually difficult to increase the price during Nongshim's old price support period (if Samyang increased the price unilaterally during Nongshim's old price support, then customers would immediately stop buying its products). Thus, it became the most effective method of price increase that Samyang increases the price right after Nongshim's old price support period ended.

In conclusion, both Nongshim who led price increase and the others who followed the move understood that the most effective way to avoid competition among ramen companies or the pressure from customers due to price increase was to share detailed information of the price increase details, price increase period, old price support period, and others in advance and then to increase the price.

VIII. General recognition of the industry toward ramen price increase

If ramen price increase was to be conducted in the manner it would be done in a normal market, the revenue forecast cannot use the 100% of the increase amount as the basis for revenue increase after the price increase.



In other words, when a product's price is increased, generally the demand for that product decreases. Therefore, although revenue may increase to a certain point due to the increased price, it would eventually entail a decrease in demand which would in turn reduce the revenue.

However, for the last ten years or so, the above pattern of the price increase among the ramen companies – that is, cooperating with each other and increasing the prices together by almost the same amount at a slight time interval - became a norm. Therefore, when a company increases the prices, it rarely worries about the decrease of demand in the market due to the price increase.

Rather, because it was nothing but the concerted price increase among the ramen companies to the same price, when we were setting the revenue goals, we generally predicted that the revenue simply would increase by the price increase rate.

In fact, Samyang Food's employee Hyung-Bae Jung wrote in his work log in July 2007 about the process of adjusting sales amount based on the ramen price increase as the following
(Attachment 27. Please refer to Samyang Food Inc. employee Hyung-Bae Jung's work log).

To set the goal of actual revenue in January ~ March

After April, to adjust it based on the increase (25,700,006,000)

Previous year's sales result + price increase rate => standard revenue

Had this been a normal competitive market where the price of a product affects the demand for the product, it would have been difficult to expect that the demand for one's product remains unchanged when the price for that product increases.

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Also, it is unimaginable to predict a revenue amount that reflects 100% of the price increase rate.

However, employees of ramen companies need not have to worry about the fluctuation of demand due to ramen price increase, since ramen companies in fact increased ramen prices identically through a mutually cooperative price increase method.

The above case is only an example of many cases where ramen market price was determined by mutual cooperation among the ramen companies who raised prices together serially, at a slight time interval, and by the same amount for each product group.

All the facts stated above are true and correct.

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